



1 Global REIT Investors Should Consider for Diversification

Description

In general, Real Estate Investment Trusts (REITs) are viewed as a form of diversification and as a unique asset class. Within the REIT sector, a number of unique REITs exist to further diversify portfolio risk related to geography. A number of REITs trading on the TSX provide investors with access to real estate located outside Canada or North America.

With real estate prices in many major Canadian metropolitan areas having exploded over recent years, investors are growing concerned about the potential for a real estate correction in Canada. While many analysts have pointed to the fact that only a few key markets are overheated (with the majority of the rest of the country at reasonable valuations), it stands to reason that having additional real estate diversification outside Canada may benefit a portfolio, allowing investors access to global real estate markets with unique growth and income profiles.

One such REIT I have looked at of late is **Dream Global REIT** (TSX:DRG.UN). This REIT has seen material stock price appreciation of late. Its trust units have increased by more than 15% year to date on strong portfolio performance and excellent lease renewal rates in its primary markets of Germany and Austria.

One of Dream Global REIT's largest clients is Deutsche Post, a company which currently leases approximately 20% of the company's real estate square footage. At the end of June, Deutsche Post announced that it would be renewing 90% of its leases with Dream Global REIT, a renewal which amounts to 2.5 million square feet of space at market rates comparable to current lease rates today.

Large clients such as Deutsche Post, which locks in the majority of its real estate for longer terms, are provided with large discounts and incentives to remain tenants. Dream Global REIT has done a good job of maintaining tenant loyalty without giving away the farm, resulting in long-term stability with respect to cash flows and the ability to continue to provide shareholders with high distributions moving forward.

Bottom line

Any time a REIT renews its largest tenant, the removal of investor uncertainty with respect to the key

leases held in the REIT's portfolio is likely to lead to stability and growth with the underlying trust units. Investors have faith in the ability of the REIT to make good on its distributions.

Dream Global REIT's current dividend yield sits slightly above 7.3%. The majority of the company's leases are locked in for an average of five years, so investors can sit tight and enjoy a very nice yield with less uncertainty related to the underlying capital portion of the investment.

Stay Foolish, my friends.

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